

City Council Budget Workshop

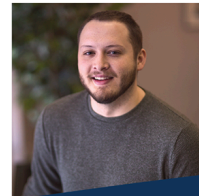
May 2, 2017



Proposed Annual Budget for
July 1, 2017 – June 30, 2018



Springfield, Missouri
Proposed
Annual Budget
FY 2017-2018



Budget Workshop Calendar



1. Overview May 2
2. Revenue & Pre-commitments May 9
3. Proposed Funding Priorities May 16
4. Proposed Funding Priorities Continued
May 23
5. Continued Discussion if needed May 30

Budget Workshop #1

May 2, 2017

Budget Workshop #1 provides a high-level overview of the City's annual budget development process, including the City Manager's budget recommendations for the total balanced budget and a closer look at the proposed priorities for the General Fund proposed budget.



Today's Agenda:

1. City of Springfield Budget Definition and Process
2. Financial Policies Created to Guide Sound Financial Management
3. Guidelines for Budget Development
4. City Manager's Analysis & Budget Recommendations
5. Factors Affecting the City's Current Financial Condition and Prognosis for the Future
 - External Economic Climate
 - City's Internal Fiscal Health & Management
6. Fiscal Year 2017 and 2018 Revenue Highlights & Projections
7. Fiscal Year 2017 and 2018 Appropriations Highlights & Recommendations

“

The city manager, at least sixty days prior to the beginning of each budget year . . . shall submit to the council a budget with an explanatory message.

Springfield City Charter Section 5.8

“

In no event shall the total amount of the proposed expenditures exceed the estimated income of the city.”

Springfield City Charter Section 5.8

Budget Process

In accordance with Section 5.8 of the City Charter, the City's budget process is led by the City Manager, who is required to present a proposed budget to City Council annually by May 1. A series of City Council budget workshops allow City Council to publicly discuss and balance the budget before a new fiscal year begins annually on July 1.



Section 5.8 also states, in summary: The budget shall provide a complete financial plan for the budget year. It shall include the following:

- An itemized statement of estimated revenues, including comparison to prior years.
- An itemized statement of proposed expenditures recommended by the city manager for each office, department or agency
- A statement of the amount required for the payment of interest, amortization and redemption charges on the debt for the city
- Provision for contingent expense in the amount not to exceed five percent of the total operating expenditures proposed
- A general budget summary
- Other information as the city manager may deem essential or required by ordinance or law

About Our Budget

The annual budget is a financial proposal that directs the provision of public services and facilities. The services provided by the City are based on the available revenues (funds) from all sources as approved in our annual budget.

In 2016, the City of Springfield's Finance Department received the Government Finance Officers Association (GFOA) Distinguished Budget Award for its budget presentation for a ninth consecutive year.



Where to Find Budget Details:

- Throughout the budget workshop process (May 1 – June 30), the public has access to both the proposed budget and the later adopted budget online at Springfieldmo.gov/Budget and at Springfieldmo.gov/OpenData (our data portal).
- On both of these web pages, there are links to full line item detail reports in addition to helpful summaries.
- Printed copies of the proposed budget are available at a cost of \$45.44 (the cost of printing).

Budget Workshop #1

May 2, 2017

Budget Workshop #1 provides a high-level overview of the City's annual budget development process, including the City Manager's budget recommendations for the total balanced budget and a closer look at the proposed priorities for the General Fund proposed budget.



Today's Agenda:

1. City of Springfield Budget Definition and Process
2. **Financial Policies Created to Guide Sound Financial Management**
3. Guidelines for Budget Development
4. City Manager's Analysis & Budget Recommendations
5. Factors Affecting the City's Current Financial Condition and Prognosis for the Future
 - External Economic Climate
 - City's Internal Fiscal Health & Management
6. Fiscal Year 2017 and 2018 Revenue Highlights & Projections
7. Fiscal Year 2017 and 2018 Appropriations Highlights & Recommendations

Financial Policies

A Reminder...

The following general principles have been followed in the financial management of the City and in the development of the annual budget.

These policies have been developed to guide the City in delivering a consistent level of service, while maintaining a stable financial position and equitable tax structure.

- **Financial Planning Policies** *(including operating with a balanced budget)*
- **Revenue Policies** *(such as fees for services paid for by those receiving the services to recover the cost of providing such services)*
- **Expenditure Policies** *(such as providing the best service possible given revenue constraints and maintaining adequate cash reserves)*



Budget Workshop #1

May 2, 2017

Budget Workshop #1 provides a high-level overview of the City's annual budget development process, including the City Manager's budget recommendations for the total balanced budget and a closer look at the proposed priorities for the General Fund proposed budget.



Today's Agenda:

1. City of Springfield Budget Definition and Process
2. Financial Policies Created to Guide Sound Financial Management
3. **Guidelines for Budget Development**
4. City Manager's Analysis & Budget Recommendations
5. Factors Affecting the City's Current Financial Condition and Prognosis for the Future
 - External Economic Climate
 - City's Internal Fiscal Health & Management
6. Fiscal Year 2017 and 2018 Revenue Highlights & Projections
7. Fiscal Year 2017 and 2018 Appropriations Highlights & Recommendations

Financial Guidelines

The following general guidelines have been followed in the financial management of the City and in the development of the annual budget.

These allow the City to deliver a consistent level of service, while maintaining a stable financial position and equitable tax structure.

- Provide the best service possible of general governmental services funded from current resources.
- Maintain fund balance (reserve) at a level of 20% of operating funds budget
- Provide employees with competitive pay and benefits competitive to the market and region
- Provide a consistent level of service through appropriate use of non-recurring funds that will not be used for on-going expenses
- Continue to look for **new sources of revenue** to improve the balance in the revenue structure via less reliance on sales tax due to its volatility
- Maximize cost recovery through fees for municipal services, consistent with City Council direction
- Seek the best level of service at the least cost

Budget Workshop #1

May 2, 2017

Budget Workshop #1 provides a high-level overview of the City's annual budget development process, including the City Manager's budget recommendations for the total balanced budget and a closer look at the proposed priorities for the General Fund proposed budget.



Today's Agenda:

1. City of Springfield Budget Definition and Process
2. Financial Policies Created to Guide Sound Financial Management
3. Guidelines for Budget Development
4. **City Manager's Analysis & Budget Recommendations**
5. Factors Affecting the City's Current Financial Condition and Prognosis for the Future
 - External Economic Climate
 - City's Internal Fiscal Health & Management
6. Fiscal Year 2017 and 2018 Revenue Highlights & Projections
7. Fiscal Year 2017 and 2018 Appropriations Highlights & Recommendations

City Manager Analysis & Budget Recommendations

The proposed budget focuses on **public safety**, **economic growth** and **operational efficiencies**, while funding the needs within all areas of the organization and remaining a balanced budget.

Challenges Creating the Budget:

- Sales tax revenue is coming in below budget for FY17.
- General Fund total revenue is projected to be slightly up, but sales tax is projected to be down in FY18 compared to FY17 budget.
- Significant prior-year commitments consume much of that projected revenue.
- Although City departments are efficiently run, the increasing costs of operations are outpacing revenue growth.
- The City continues to have more needs than what revenue will allow to be funded.
- The lack of a lifecycle capital replacement funding source is urgent.

City Manager Analysis & Budget Recommendations

The proposed budget focuses on **public safety**, **economic growth** and **operational efficiencies**, while funding the needs within all areas of the organization and remaining a balanced budget.

FY18 Budget Priorities



Public safety *(including prior City Council commitments to fund 21 additional police)*



Economic growth

And...Operational Efficiencies



Employee safety



Employee recruitment & development



Employee succession planning

Budget Workshop #1

May 2, 2017

Budget Workshop #1 provides a high-level overview of the City's annual budget development process, including the City Manager's budget recommendations for the total balanced budget and a closer look at the proposed priorities for the General Fund proposed budget.



Today's Agenda:

1. City of Springfield Budget Definition and Process
2. Financial Policies Created to Guide Sound Financial Management
3. Guidelines for Budget Development
4. City Manager's Analysis & Budget Recommendations
5. **Factors Affecting the City's Current Financial Condition and Prognosis for the Future**
 - **External Economic Climate**
 - City's Internal Fiscal Health & Management
6. Fiscal Year 2017 and 2018 Revenue Highlights & Projections
7. Fiscal Year 2017 and 2018 Appropriations Highlights & Recommendations

Factors Affecting the City's Financial Condition

Population: 166,810

Population Growth Rate: .8%



1. Economic Climate

Diversified Economy

Fiscal Distress

Consumer Confidence

Retailer Health

Local Business Growth

2. City of Springfield's Fiscal Health & Management

External Indicators of Quality & Efficiency

Broad Fiscal Indicators

Factors Affecting the City's Financial Condition

Economic Climate

- **Diversified Economy**
- **Fiscal Distress**
- **Consumer Confidence**
- **Retailer Health**
- **Local Business Growth**

Budget Workshop #1

May 2, 2017

Budget Workshop #1 provides a high-level overview of the City's annual budget development process, including the City Manager's budget recommendations for the total balanced budget and a closer look at the proposed priorities for the General Fund proposed budget.

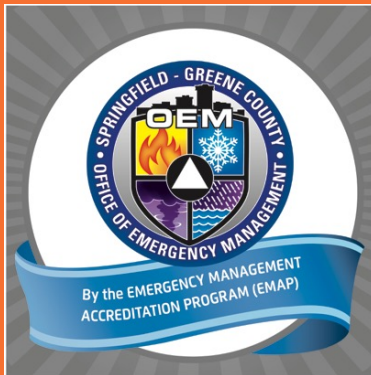
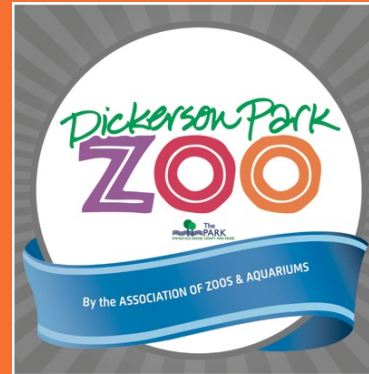
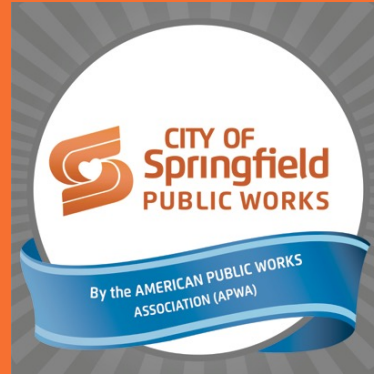


Today's Agenda:

1. City of Springfield Budget Definition and Process
2. Financial Policies Created to Guide Sound Financial Management
3. Guidelines for Budget Development
4. City Manager's Analysis & Budget Recommendations
5. **Factors Affecting the City's Current Financial Condition and Prognosis for the Future**
 - External Economic Climate
 - **City's Internal Fiscal Health & Management**
6. Fiscal Year 2017 and 2018 Revenue Highlights & Projections
7. Fiscal Year 2017 and 2018 Appropriations Highlights & Recommendations

City's Fiscal Health & Management

External Indicators of Quality & Efficiency: National Accreditations



City's Fiscal Health & Management: External Indicators of Quality & Efficiency

State, Regional, National and International Recognition



Factors Affecting the City's Financial Condition

City's Fiscal
Health &
Management

External Indicators of Quality & Efficiency:

Citizen Satisfaction

Our most recent Citizen Satisfaction Survey indicated that overall citizen satisfaction in the City of Springfield is **15% higher than the Kansas/Missouri average** and **12% higher** the national average

Satisfaction increased in 7 of the 12 major categories of City services

Factors Affecting the City's Financial Condition

City's Fiscal
Health &
Management

External Indicators of Quality & Efficiency:

Voter Confidence

In the last two renewal cycles of the ¼-cent capital improvements and 1/8-cent transportation sales taxes, voters approved the renewals with more than **80% voting yes**

Factors Affecting
the City's
Financial
Condition

City's Fiscal
Health &
Management

Broad Fiscal Indicators

Bond Rating

Adequacy of Reserves

Debt Load

Revenues that keep pace with inflation

Funded Lifecycle Replacement

Factors Affecting the City's Financial Condition

City's Fiscal Health & Management

Broad Fiscal Indicators

Bond Rating

- Moody's Investors Service has assigned a rating of Aa1 to the City's outstanding general obligation bonds.
- Municipal issuers with an Aa rating demonstrate very strong creditworthiness relative to other U.S. municipal or tax-exempt issuers.
- Having a higher bond rating gives the City the opportunity to borrow funds if needed, at a lower interest rate.

Broad Fiscal Indicators

Adequacy of Reserves

- The fund balance reserves (rainy day fund) slightly increased in 2016 over 2015
- This is within the Council-established reserve goal of 20% of the operating revenue

Factors Affecting the City's Financial Condition

City's Fiscal Health & Management

Broad Fiscal Indicators

Debt Load

The Missouri Constitution limits the amount of general obligation and special assessment debt a municipality may issue to 30% of the assessed value of property. The City is not in danger of exceeding the legal debt margin.

The City's total debt for FY2016 is approximately \$333 million. The City's debt includes \$111 million for all governmental activities, and \$222 million for all business-type activities (Airport and Sewer), which is considered self-supporting revenue debt.

Factors Affecting the City's Financial Condition

City's Fiscal Health & Management

Broad Fiscal Indicators

Revenue Stability

- We have budgeted for sales tax to decrease next year compared to FY17 budget.
- Sales tax is a volatile revenue source and retail is experiencing a paradigm shift like we have never seen.
- Bureau of Labor Statistics: the retail sector lost approximately 30,000 jobs in March alone, with thousands of store closings projected through 2017.
- At this pace, store closings in 2017 are likely to surpass the Great Recession year of 2008.

Factors Affecting the City's Financial Condition

City's Fiscal Health & Management

Broad Fiscal Indicators

Funded Lifecycle Replacement

- We continue, however, to struggle in our efforts to adequately fund ongoing capital needs and lack a dedicated funding source for our life cycle replacement plan.
- This is particularly a struggle for departments funded by the General Fund, including police and fire.
- We currently have an urgent need for two additional fire stations and the associated staffing and equipment

Budget Workshop #1

May 2, 2017

Budget Workshop #1 provides a high-level overview of the City's annual budget development process, including the City Manager's budget recommendations for the total balanced budget and a closer look at the proposed priorities for the General Fund proposed budget.



Today's Agenda:

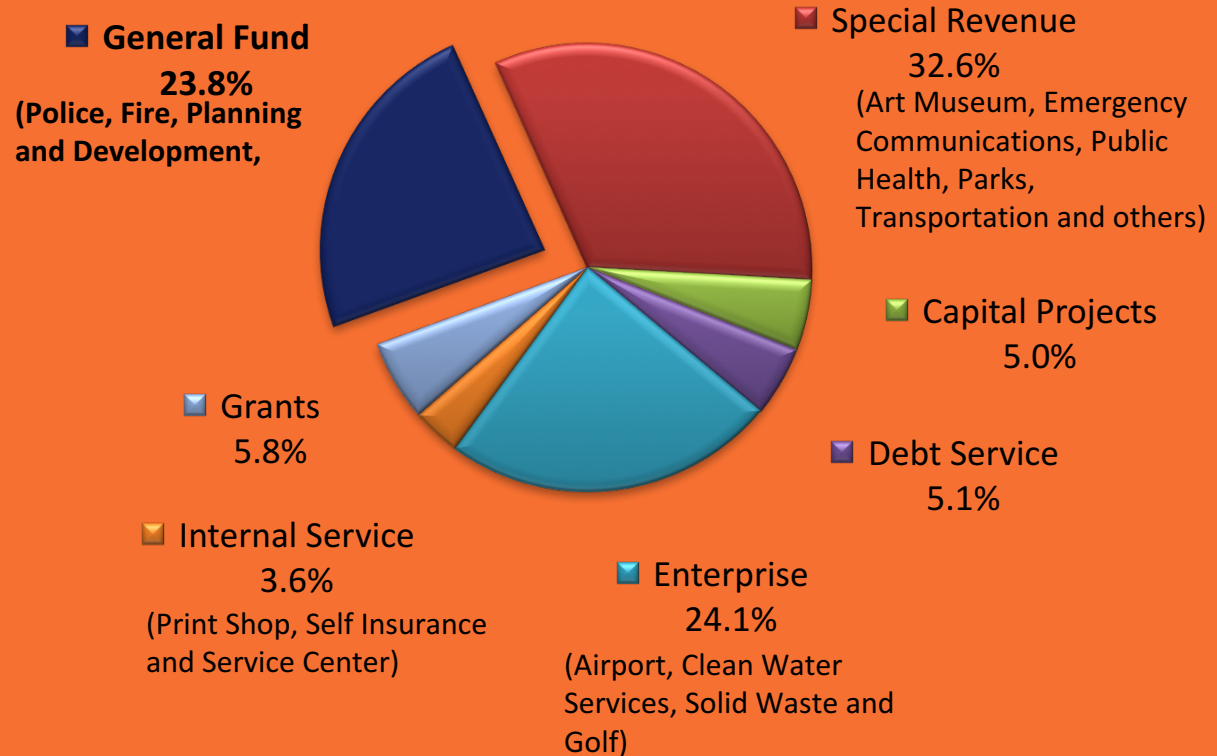
1. City of Springfield Budget Definition and Process
2. Financial Policies Created to Guide Sound Financial Management
3. Guidelines for Budget Development
4. City Manager's Analysis & Budget Recommendations
5. Factors Affecting the City's Current Financial Condition and Prognosis for the Future
 - External Economic Climate
 - City's Internal Fiscal Health & Management
6. **Fiscal Year 2017 and 2018 Revenue Highlights & Projections**
7. Fiscal Year 2017 and 2018 Appropriations Highlights & Recommendations

The City's Revenue Sources

The City's operations are classified into fund groups for budget purposes.

These fund groups are classified as general, special revenue, grant, capital projects, debt service, enterprise and internal service.

FY18 OPERATING BUDGETED GENERAL FUND'S RELATIONSHIP TO TOTAL BUDGET

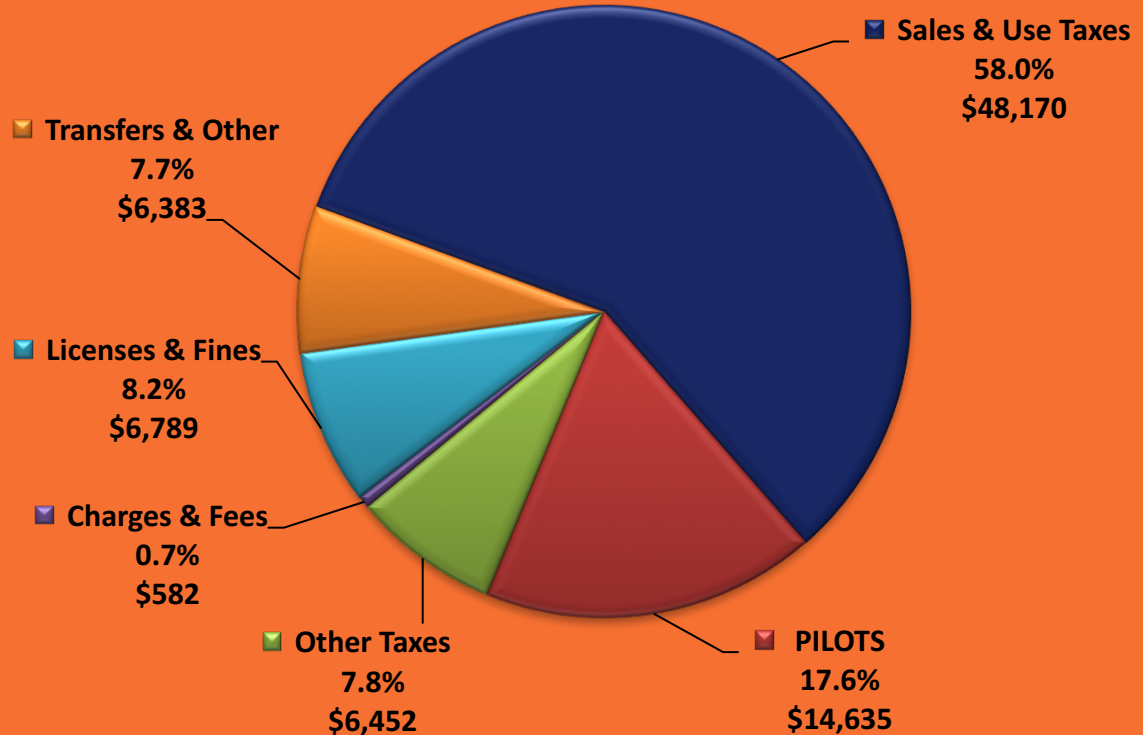


The City's Revenue Sources

The General Fund has five major revenues sources: sales and use tax, payments in lieu of taxes (PILOTs), other taxes and licenses/permits/fines.

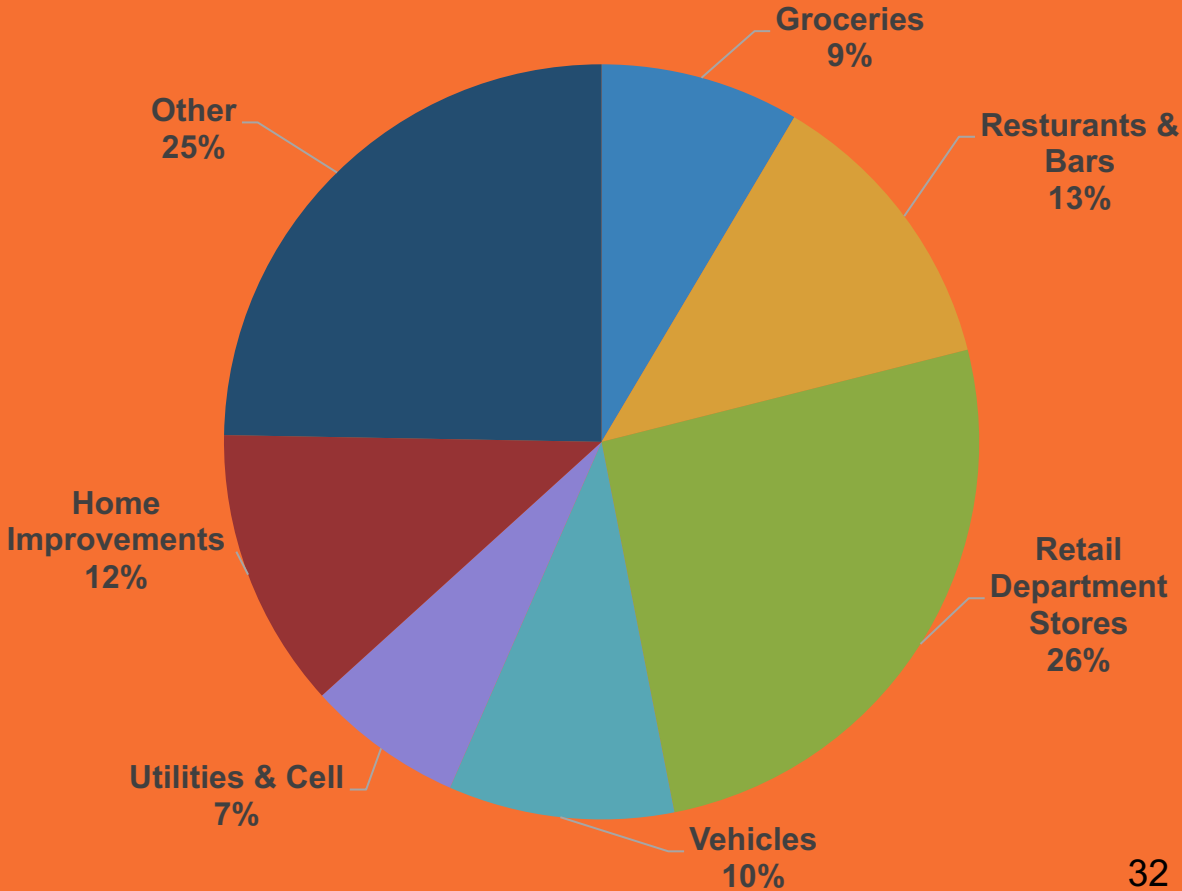
The largest share of General Fund operating revenues (58%) comes from sales and use tax, both of which are unpredictable and not keeping pace with operational demands.

FY18 GENERAL FUND PROJECTED REVENUE \$83 million



The City's
Revenue
Sources

FY17 1% SALES TAX BY SECTOR



FY 17 Revenue Highlights & Projections

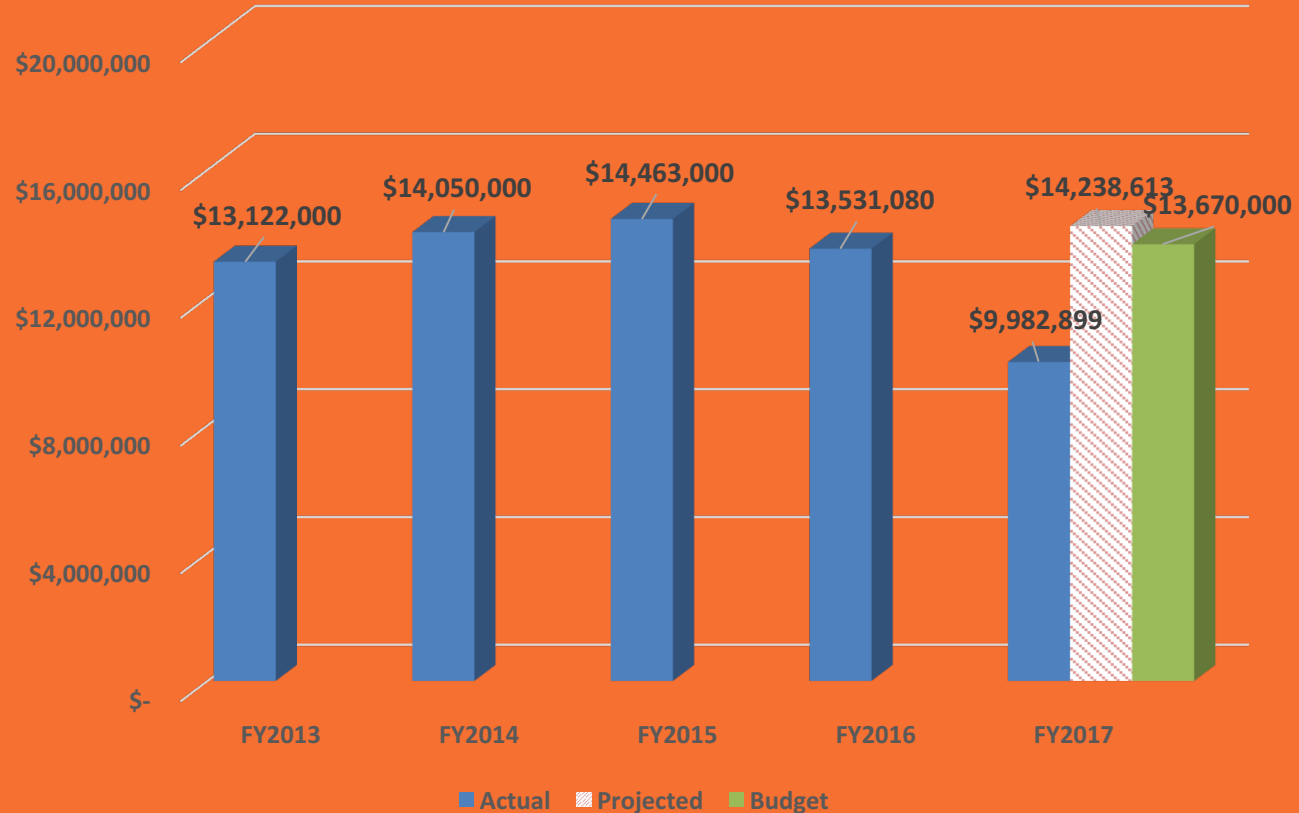
Total General Fund revenue for FY 17 was budgeted to grow 7%, with sales tax revenue for FY 17 budgeted to grow 3%, but sales tax revenue is projected to end flat and total revenue only seeing a small increase.

April 2017: Current year-to-date sales tax revenues are 4% below budget. We continue to monitor receipts and adjust expenses.

FY 17 Revenue Highlights & Projections

Sales tax shortfall is being offset by increases that are occurring from other sources: Increased PILOTs and higher than anticipated use tax receipts.

City Utilities PILOT



Revenue Outlook

The City needs a new funding model that broadens the funding tools available, reduces dependency on sales tax and does not raise taxes.

General Fund Revenue Summary		FY17	FY18
	Adopted Budget	Anticipated Actual	Proposed Budget
Sales Tax	\$ 45,400,000	\$ 44,141,00	\$ 44,810,000
PILOTs	13,670,000	14,238,000	14,635,000
Other Taxes	9,996,500	9,854,000	9,812,000
Licenses, Fines & Fees	6,857,000	7,418,000	7,371,500
Transfers and Other	4,834,014	4,667,000	4,816,511
Subtotal (before fund balance appropriation)	80,757,514	80,318,000	81,445,011
Fund Balance Reserve	130,179	130,179	1,566,209
Total General Fund Revenues	80,887,693	80,448,179	83,011,220

FY 18 Revenue Highlights & Projections

A proposed \$83 million General Fund budget is based on a very small projected revenue growth of 0.9%

The FY18 Proposed Budget is pieced together using some unusual one-time funds that are not available in future years.

- Prior service credits
- Set aside monies for COPs grant
- Higher amount of salary savings from vacancies above and beyond budgeted expectation
- Remaining FY 16 carryover funds.

Budget Workshop #1

May 2, 2017

Budget Workshop #1 provides a high-level overview of the City's annual budget development process, including the City Manager's budget recommendations for the total balanced budget and a closer look at the proposed priorities for the General Fund proposed budget.



Today's Agenda:

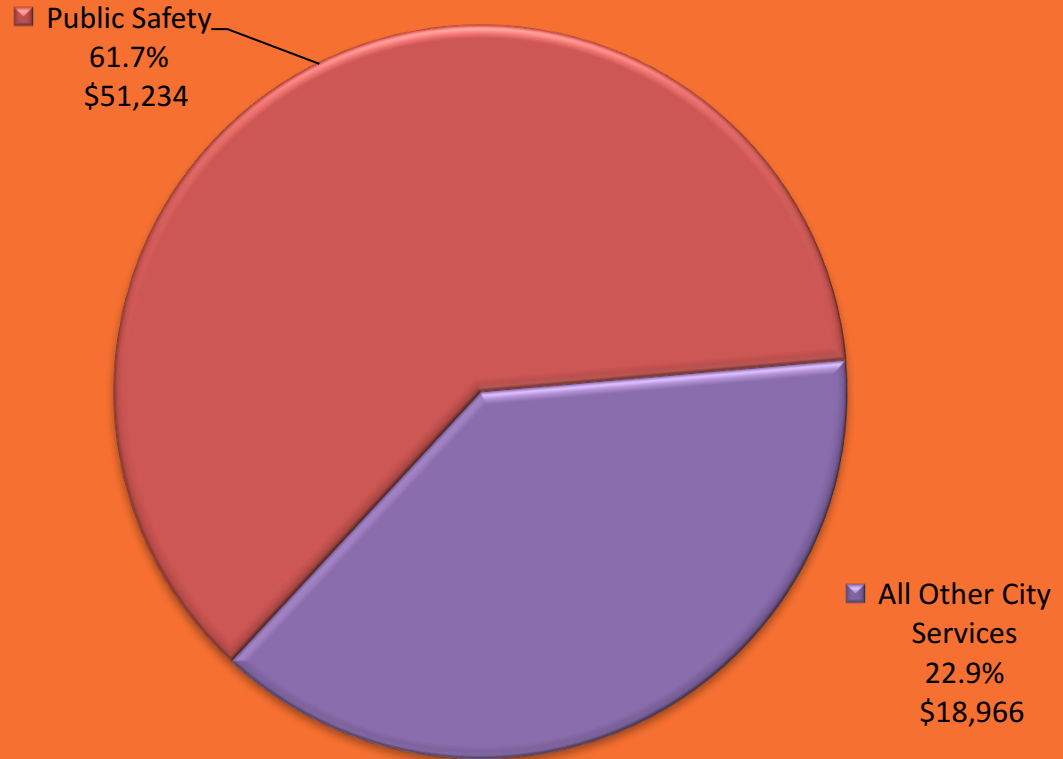
1. City of Springfield Budget Definition and Process
2. Financial Policies Created to Guide Sound Financial Management
3. Guidelines for Budget Development
4. City Manager's Analysis & Budget Recommendations
5. Factors Affecting the City's Current Financial Condition and Prognosis for the Future
 - External Economic Climate
 - City's Internal Fiscal Health & Management
6. Fiscal Year 2017 and 2018 Revenue Highlights & Projections
7. **Fiscal Year 2017 and 2018 Appropriations Highlights & Recommendations**

General Fund Appropriations

As much as possible, the proposed budget attempts to address funding needs within all areas of the organization. However, consistently over the past six years, law enforcement and public safety have been the clear funding priority.

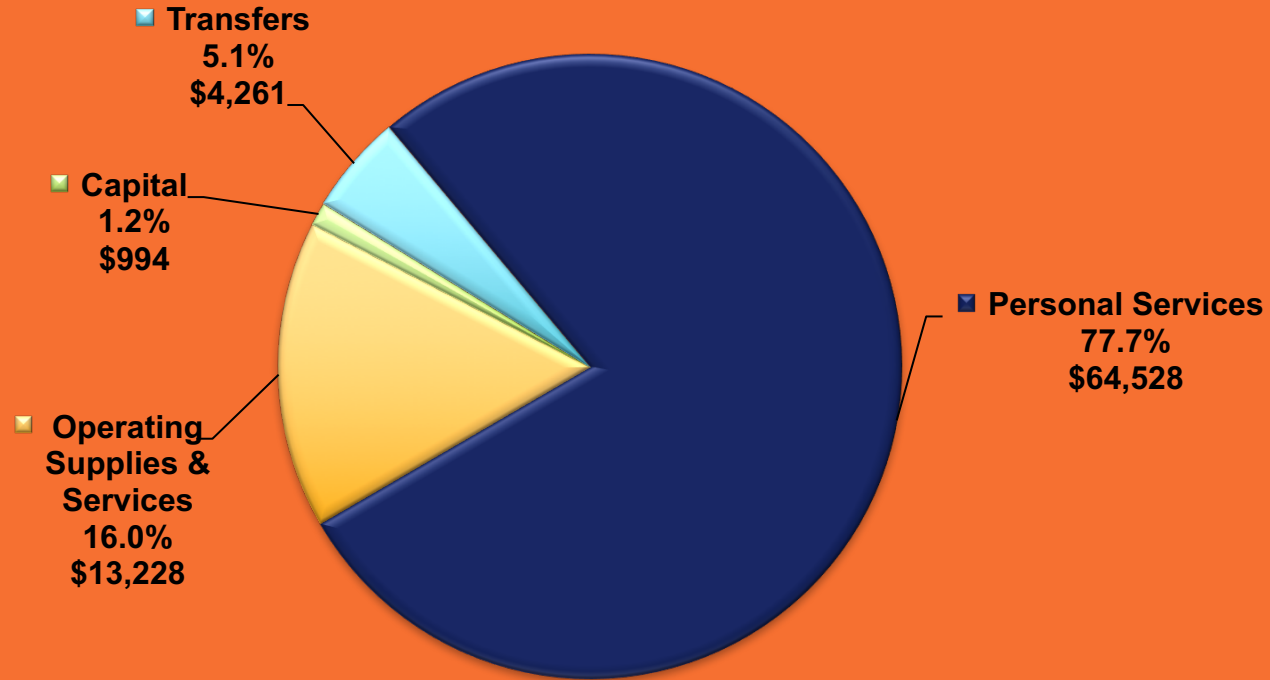
In the proposed budget for **Fiscal Year 2018**, **62%** or more than **\$51 million** of General Fund appropriations addressed public safety needs.

FY 18 General Fund Proposed Budgeted Appropriations



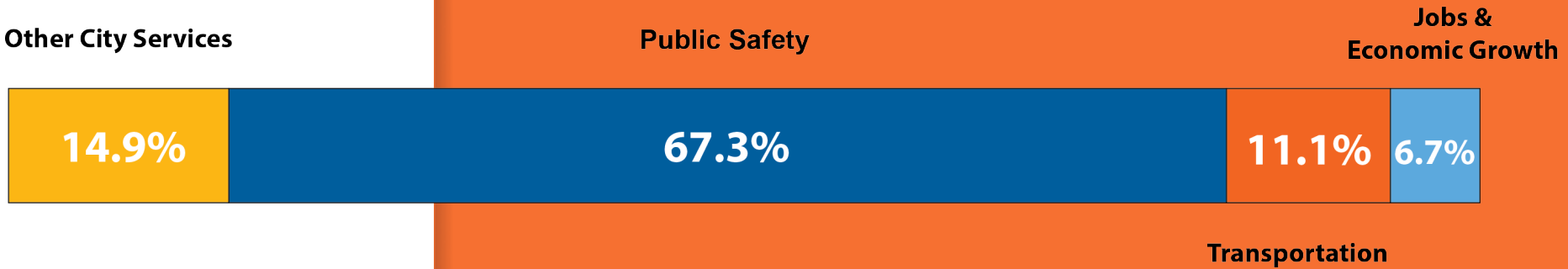
General Fund Appropriations

FY2018 OPERATING BUDGETED APPROPRIATIONS BY TYPE



General Fund Appropriations

General Fund Employee Breakdown



General Fund Appropriations

Honoring Prior Commitments

- 21 additional police officers
- 7 additional firefighters (applied)
- The required 1/3 budget carve out for the prior commitments total \$621,000 for FY18 and an additional \$506,000 for FY19

PRIOR YEAR COMMITMENTS

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	
	33.3%	66.6%	100.0%				
10 Police Officers (July 2015 Start)-Available for One-Time	97,999	221,532	366,589				594,060
10 Police Officers (July 2015 Start)-Match	67,722	63,738	67,722				
		30.5%	63.8%	97.2%	2.8%		
11 Police Officers (August 2016 Start)-Available for One-Time		99,406	237,856	400,821	17,382		663,683
11 Police Officers (August 2016 Start)-Match		67,745	70,775	75,198			
2-Police Services Representatives-Hired last Quarter of FY2016		63,750					
FY2017 Budget Amendment for 2.4 positions paid from Fund Balance for FY17 and FY18		-	-	151,765			
			19.4%	52.7%	86.0%	13.9%	
Proposed-7 Firefighters (Fall 2017 Start)-Available for One-Time			17,040	104,973	138,234	55,856	421,934
Proposed-7 Firefighters-Match			51,594	43,147	112,610	54,824	
Total Needed Per Year	165,721	516,172	811,578	775,905	268,227	110,681	
Available for One-Time Expenditures	97,999	320,938	621,486	505,794	155,616	55,856	

Budget Workshop Highlights / Takeaways

- The City Charter Section 5.8 dictates the process for City Manager to deliver a Balanced budget.
- Citizens deserve and expect high-quality services and are in general satisfied with City services.
- Accreditations and continued state, regional, national and international recognitions provide external indicators of quality and operational efficiency.
- The City's needs continue to far exceed available funding. Far more budget requests were received than can be funded.
- Proposed funded needs take into account resources needed in all operating units to maintain that level, but priorities in the proposed budget are public safety, economic growth, increasing operational efficiencies.
- The future economic climate uncertain and changing and revenues for FY17 are down, so we have a conservative revenue estimate for FY18.
- FY 18 sales tax is projected below budgeted FY 17 levels. Overall, general fund revenues are only projected to increase .9%, but that is due to projected increases in PILOTs.

Budget Workshop Highlights / Takeaways

- The City is maintaining an appropriate reserve level and Moody's high bond rating and other broad fiscal indicators illustrate that the City's overall financial health is strong.
- The City's need for a lifecycle capital replacement funding source is becoming urgent.
- It has been difficult and we're getting squeezed on both revenue and expense sides as the COPS grant approval pre-committed future new revenues and revenues are not keeping pace with inflation.
- We're faced with the continuing and unusual large expense of transporting and housing inmates (almost \$1 million). This is being addressed by one-time funds in both FY17 and FY18.
- This year's budget is cobbled together using four, unusual, one-time funding sources as a one-year stop gap.

Budget Workshop Calendar



1. Overview May 2
2. Revenue & Pre-commitments May 9
3. Proposed Funding Priorities May 16
4. Proposed Funding Priorities Continued
May 23
5. Continued Discussion if needed May 30

Questions?

